DOME PETROLEUM LIMITED

1965

ANNUAL REPORT

DOME PETROLEUM LIMITED · 1965 · ANNUAL REPORT

DIRECTORS

HENRY C. BRUNIE, *New York, N.Y.*

JOHN P. GALLAGHER, *Calgary, Alberta*

JOHN L. LOEB, *New York, N.Y.*

BRYCE R. MACKENZIE, *Toronto, Ontario*

CHARLES E. MAIN, *New York, N.Y.*

A. BRUCE MATTHEWS, *Toronto, Ontario*

CLIFFORD W. MICHEL, *New York, N.Y.*

WILLIAM F. MORTON, *Winchester, Mass.*

JAMES B. REDPATH, *Toronto, Ontario*

ANNUAL MEETING

The Annual General Meeting of the Shareholders of the Company will be held at the Royal York Hotel, Toronto, Ontario, on April 25, 1966 at 3:00 p.m. A formal notice of meeting and proxy form are enclosed with this report.

CONTENTS

COMPARATIVE HIGHLIGHTS

FINANCIAL

FINANCIAL	1965	1964
Gross Income (after royalties)	$7,147,509	$6,811,464
Cash Flow (after operating, administrative and interest expenses)	$5,507,412	$5,552,538
Cash Flow per share	$2.11	$2.14
Net Income (after all charges)	$4,064,478	$4,267,262
Net Income per share	$1.56	$1.64
Shares Outstanding	2,613,700	2,597,900
Working Capital (Deficit)	$(1,428,853)	$(983,236)
Long Term Debt	$908,108	$1,102,703

OPERATING

OPERATING	1965	1964
Oil Production (net barrels)	2,486,081	2,394,302
Gas Production (billion cubic feet)	10.7	9.8
Proved Oil & Condensate Reserves (net barrels)	44,376,000	42,437,000
Proved Gas Reserves (billion cubic feet)	286	267
Wells Drilled	92	70
Footage Drilled	500,188	347,336
Land - Gross Acres	5,394,589	6,000,672
Land - Net Acres	2,708,426	2,969,363

DOME PETROLEUM LIMITED · 1965 ·

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HEAD OFFICE

706 - 7th AVENUE S.W., *Calgary, Alberta*

OFFICERS

CLIFFORD W. MICHEL, *Chairman of the Board*

JOHN P. GALLAGHER, *President*

CHARLES S. DUNKLEY, *Vice-President*

JAMES B. REDPATH, *Vice-President*

WILLIAM E. RICHARDS, *Vice-President and Secretary*

HENRY T. ASTLE, *Treasurer*

FRASER M. FELL, *Assistant Secretary*

REGISTRARS AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario; Montreal, Quebec; Calgary, Alberta
EMPIRE TRUST COMPANY
New York, N.Y.

GENERAL COUNSEL

FASKEN, CALVIN, MACKENZIE, WILLISTON & SWACKHAMER
Excelsior Life Building, Toronto, Ontario

AUDITORS

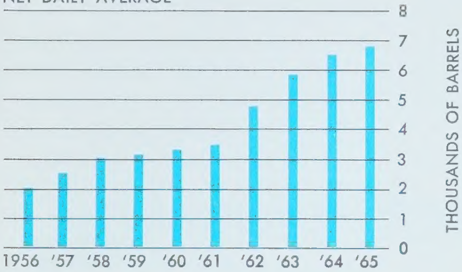
CLARKSON, GORDON & CO.
Calgary, Alberta

STOCK LISTED

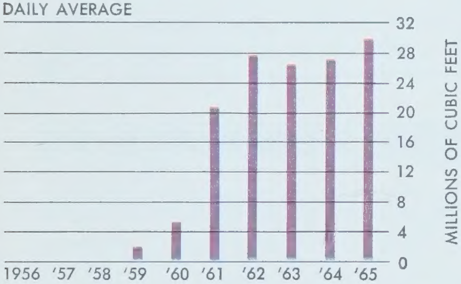
TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE
AMERICAN STOCK EXCHANGE

COMPARATIVE HIGHLIGHTS

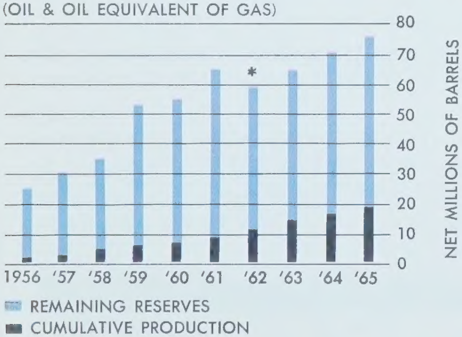
OIL PRODUCTION
NET DAILY AVERAGE



GAS PRODUCTION
DAILY AVERAGE



DISCOVERED RESERVES
(OIL & OIL EQUIVALENT OF GAS)



- Net reserves after royalties and partners' interests.
- Gas reserves and production converted to barrels using a price equivalent ratio of 20,000 cubic feet per barrel.

* Redwater oil reserves were sold for $8,742,000.

FINANCIAL	1965	1964
Gross Income (after royalties)	$7,147,509	$6,811,464
Cash Flow (after operating, administrative and interest expenses)	$5,507,412	$5,552,538
Cash Flow per share	$2.11	$2.14
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Net Income per share	$1.56	$1.64
Shares Outstanding	2,613,700	2,597,900
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Long Term Debt	$908,108	$1,102,703

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Proved Gas Reserves (billion cubic feet)	286	267
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Footage Drilled	500,188	347,336
Land - Gross Acres	5,394,589	6,000,672
Land - Net Acres	2,708,426	2,969,363

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS

Your directors are pleased to present the Company's sixteenth annual report and audited financial statements for the year ended December 31, 1965. The period under review was marked by increased exploratory activity resulting in four discoveries, the significance of which can only be determined by development drilling during 1966.

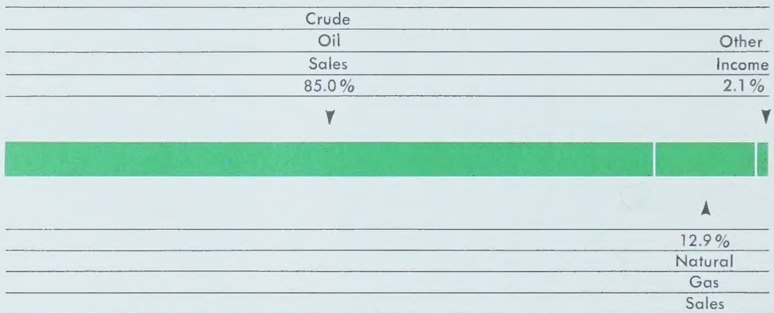
Operations were highlighted by the following:

- Oil production increased 4% to 2,486,081 net barrels and gas production increased 8% to 10.7 billion cubic feet.
- Proved oil reserves increased a net 4% to 44,376,000 barrels and proved gas reserves increased a net 7% to 286 billion cubic feet.
- The Company participated in drilling 92 gross wells including 58 oil producers and 8 gas producers.
- The Company's affiliate, Provo Gas Producers Limited, showed excellent results in all phases of its 1965 operations.

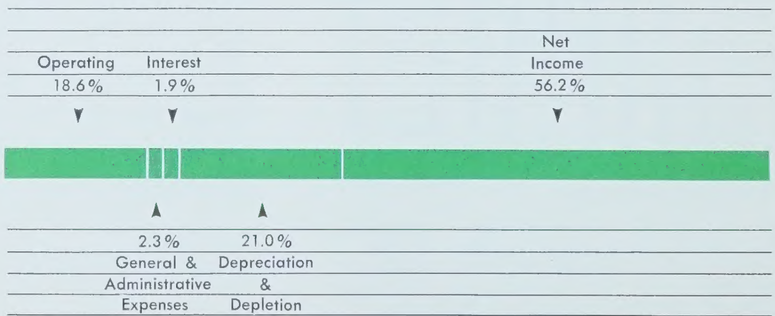
FINANCIAL

Effective January 1, 1965, your Company adopted the full-cost method of accounting. Under this method, the Company capitalizes all direct costs incurred in the acquisition, exploration and development of oil and gas reserves, including non-productive wells. These capitalized costs are amortized on a unit-of-production basis over the aggregate productive life of all the Company's producing properties. This change will tend to stabilize the annual exploration charges and more realistically reflect the cost of the Company's proved oil and gas reserves.

SOURCE OF 1965 INCOME



DISTRIBUTION OF 1965 INCOME



Full-cost accounting is being adopted by the majority of the larger Canadian independent oil and gas companies. The Company's 1965 and 1964 figures in the report are given on a full-cost basis for direct comparison.

Gross income (after all royalties) increased 5% in 1965 to $7,147,509 from $6,811,464 last year. Cash flow (gross income less operating, administrative and interest expenses) remained approximately the same at $5,507,412 or $2.11 per share compared with $5,552,538 or $2.14 per share in 1964.

Net income (after all charges) decreased to $4,064,478 or $1.56 per share from $4,267,262 or $1.64 per share last year. This decrease was the result of higher depreciation and depletion charges and higher operating costs that are explained in the Production Section of this report. The 1965 net income, on the accounting basis used in prior years, would have been $2,879,829 compared with the $3,184,636 previously reported for 1964.

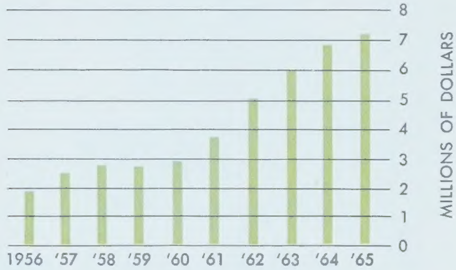
During the year, the working capital position declined by $445,617 to a deficit of $1,428,853 due to expenditures on waterflood projects and increased exploratory and development drilling. Earned surplus at December 31, 1965, was $19,020,753 compared with $14,956,275 at the previous year-end. Development costs in 1965 increased to $4,118,416 from $2,817,388 in 1964. Exploration costs increased to $1,052,055 from $816,152 last year.

The Company's investments in oil, gas and pipeline companies had a total book value of $3,350,927 at December 31, 1965, and a market or appraised value of $9,723,504. Included in these investments are 47,041 shares of Producers Pipelines Ltd. held by the Company at a book value of $304,722 and an appraised value of $2,200,000. Also included is Dome's 36.7% interest (3,104,945 shares) in Provo Gas Producers Limited. During 1965, Provo had a cash flow of $3,450,000 (41¢ per share) and a net income of $1,750,000 (21¢ per share). If Dome's interest in Provo were consolidated, Dome's 1965 cash flow would be increased by 48¢ per share to $2.59 per share and its net income by 25¢ per share to $1.81 per share.

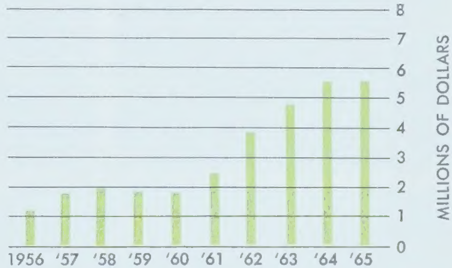
Estimates for the first quarter, 1966, indicate that Dome's gross income will be approximately $1,815,000 compared with $1,760,000 for the same period in 1965. Cash flow is expected to be $1,390,000 or 53¢ per share compared with 52¢ per share in 1965.

1965 figures are presented on a full-cost accounting basis

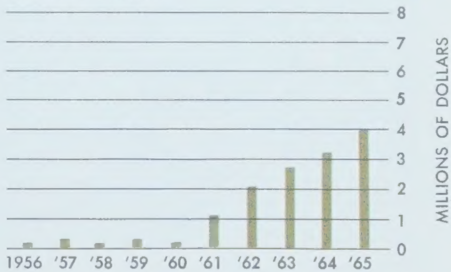
GROSS INCOME
AFTER ROYALTIES



CASH FLOW
AFTER OPERATING COSTS, INTEREST AND RENTALS



NET INCOME
AFTER ALL CHARGES



Producing operations on Dome properties in the Swan Hills and Pembina oil fields in which Dome drilled a total of 19 wells during 1965. To the left is a 1965 Swan Hills oil producer and below are a high pressure wellhead and the main battery site in the Dome-operated Pembina Cardium Unit No. 7.

PRODUCTION

Net oil production, after all royalties, increased 4% to 6,811 barrels per day in 1965 compared with 6,541 barrels per day in 1964 and 5,873 barrels per day in 1963. While this increase is relatively small, it was accomplished despite increasing gas-oil ratio restrictions, currently amounting to 1,200 barrels per day, on Dome's Boundary Lake production. A waterflood program, now in operation in this field, will gradually reduce these restrictions but the full benefit, in the form of increased production allowables, will not become apparent until early in 1967. The replacement of this lost production from other oil fields and the operation of new pressure-maintenance projects have resulted in higher operating costs.

Gas production increased 8% in 1965 to 29.4 million cubic feet per day from 27.0 million cubic feet per day in 1964 and 26.2 million cubic feet per day in 1963.

The Company held interests in producing properties equivalent to 233 net oil wells at December 31, 1965, compared with 202 net wells at the previous year-end. Net gas wells increased to 27 from 25 last year. Dome also held royalty interests in an additional 69 producing oil and gas wells at the end of 1965.

Net oil production for the first quarter of 1966 is estimated at 6,900 barrels per day compared with 6,760 barrels per day for this period in 1965. Gas production should average 33.0 million cubic feet per day compared with 34.8 million cubic feet per day in 1965.

AREA OF OPERATIONS

RESERVES

At December 31, 1965, the Company's net proved recoverable oil and condensate reserves were estimated at 44,376,000 barrels after deducting the 1965 production of 2,486,081 net barrels and all royalties and partners' interests. This compares with reserves of 42,437,000 net barrels in 1964.

Proved recoverable natural gas reserves were estimated at 286 billion cubic feet at December 31, 1965, after deducting the 1965 production of 10.7 billion cubic feet. This compares with reserves of 267 billion cubic feet in 1964.

Late in 1965 the Company participated in the drilling of several significant discovery wells which have not been included in the above reserve figures.

In addition, Dome holds a 36.7% interest in Provo Gas Producers Limited, which had proved recoverable oil and condensate reserves of 9,454,000 net barrels and natural gas reserves of 543 billion cubic feet at December 31, 1965.

The Dome and Provo reserve estimates were prepared by the independent consulting firm of James A. Lewis Engineering Co. Ltd.

LAND HOLDINGS

Dome's land holdings at December 31, 1965, totalled 5,394,589 gross acres, equivalent to 2,708,426 net acres compared with 2,969,363 net acres in 1964.

Provo's land holdings at December 31, 1965, totalled 4,574,039 gross acres and 1,120,702 net acres.

The distribution of your Company's land holdings at December 31, 1965, is indicated in the accompanying schedule. The major areas of interest are shown on the fold-out map and the detailed area maps at the end of this report.

LAND HOLDINGS as at December 31, 1965

	Gross Acres	*Net Acres*
Alberta	986,072	411,379
British Columbia	379,694	122,261
Manitoba	74,788	41,324
Northwest Territories	3,696,171	1,982,133
Ontario	4,987	4,987
Saskatchewan	172,008	101,865
Kansas	2,550	1,589
Montana	27,686	10,349
North Dakota	50,633	32,539
1965 Total	5,394,589	2,708,426
1964 Total	6,000,672	2,969,363

EXPLORATION AND DEVELOPMENT

Your Company's 1965 drilling program was the largest in its history. It drilled or participated in 92 wells (43.7 net) which resulted in 58 oil wells (31.6 net), 8 gas wells (1.1 net) and 26 dry holes (11.0 net). This includes 15 wells that were drilled under farmout from Dome at no cost to the Company. The 31.6 net oil wells do not include 6 oil wells in which Dome retained an overriding royalty interest.

Drilling during the first quarter of 1966 totalled 37 gross wells, resulting in 13 oil wells and 6 gas wells. This includes an important dual-zone gas and condensate discovery well in the Bistcho Lake area of northwestern Alberta and an oil discovery in the Bulrush area of northeastern British Columbia.

ALBERTA

In 1965 Dome participated in drilling 58 wells in Alberta of which 34 were oil producers and 8 were gas wells. These included significant oil discoveries at South Loon Lake and Lone Pine Creek.

Thirteen of the oil wells were drilled in the Swan Hills area, 10 of these on farmout acreage in the North Swan Hills field. Six oil wells were drilled in the Willesden Green field and 6 on Company acreage in the Pembina field. In other drilling, Dome holds interests in 4 oil wells that were completed in the Lochend area, 2 in the South Loon Lake area, 2 in the Red Earth field and one in the Kilda area.

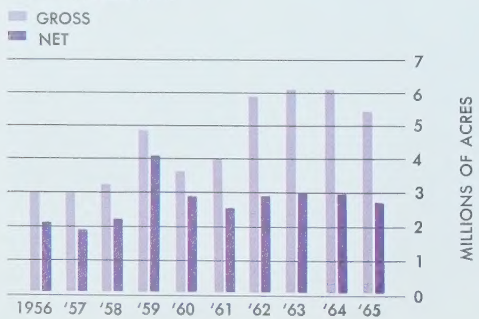
At Lone Pine Creek the Company participated in 2 gas wells in the unit and completed an excellent dual-zone oil and gas producer on wholly-owned acreage outside the unit. Dome is taking a 21% participation in a $3,300,000 Lone Pine Creek gas and sulphur plant in order to process the Company's anticipated production from this field. Oil is currently being produced from the dual-zone well and gas production is expected to commence in the fall of this year. Sulphur reserves in this field, net to Dome, are estimated to be in excess of 150,000 long tons.

Minor interests are held in 5 new gas producers drilled in the Provost Unit.

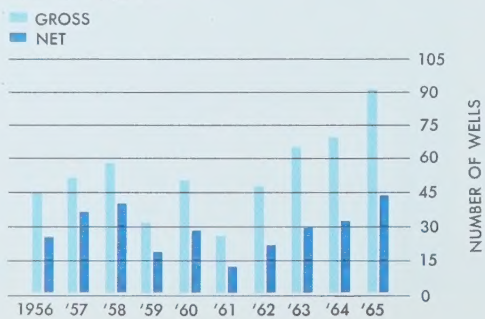
BRITISH COLUMBIA

The 19 wells drilled by Dome in British Columbia in 1965 resulted in the completion of 16 oil producers. Drilling in the Boundary Lake field accounted for 14 of the new oil wells and the other 2 were drilled on the south edge of the Weasel field.

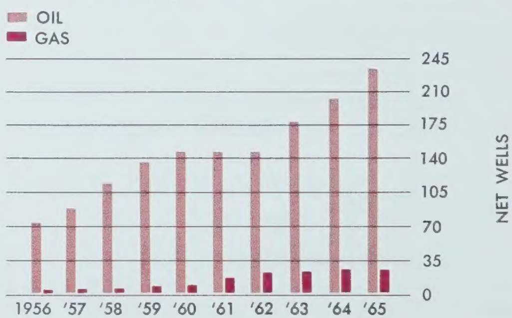
LAND HOLDINGS



WELLS DRILLED



NET PRODUCING WELLS



As a result of current additional drilling in the Laprise Creek gas field, the Company could increase its gas sales during the latter half of 1966 by at least 7.5 million cubic feet per day.

SASKATCHEWAN & MANITOBA

Dome drilled 6 wells in Saskatchewan last year, resulting in the completion of a successful oil producer in each of the Pinto and Huntoon areas. The Company held interests in 3 wells that were drilled in Manitoba last year, 2 of which were completed as oil producers.

MONTANA & NORTH DAKOTA

Two additional oil producers were drilled on Company acreage in the Fred & George Creek field in Montana. While Dome retained its working interest in these wells it was not required to contribute to the drilling costs. In addition, a successful development well was completed on Company-interest acreage at Miner's Coulee, offsetting a recent oil discovery.

Dome also drilled 2 successful oil wells in the Flat Lake area in eastern Montana and adjoining North Dakota.

KANSAS

In 1965 Dome purchased 5 properties that are located in the shallow oil fields of southeastern Kansas. These properties were acquired essentially for their secondary recovery potential. Three types of pilot secondary recovery programs have been instituted on 3 of these properties. The results should be known within the next 12 months.

Dome's successful exploratory effort, together with substantial expenditures on 7 pressure maintenance projects, should reflect in modest production increases during 1966 and significant increases during 1967.

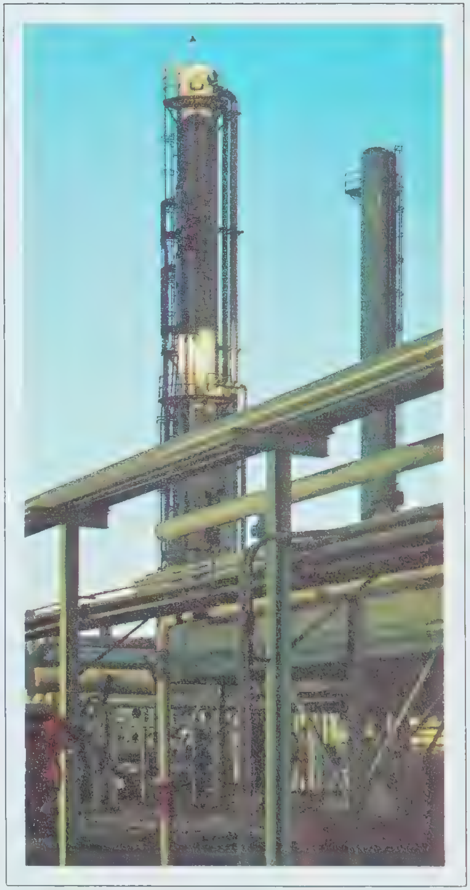
Your directors have appreciated the continued support and interest of the Company's shareholders and the initiative and loyalty of its employees.

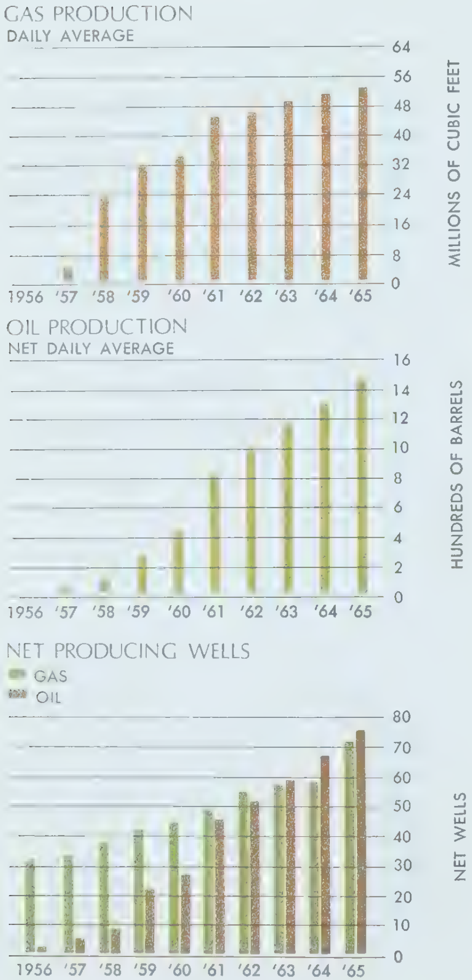
On behalf of the Board,

Clifford W. Michel *Chairman*

President

March 31, 1966





PROVO'S 1965 OPERATIONS

Dome owns 36.7% of the outstanding Provo shares and manages Provo under contract.

During the period under review, Provo participated with Dome in 3 oil discoveries and one dual-zone gas and condensate discovery. In addition, Provo drilled 2 wholly-owned gas discoveries in the North Provost and Brownfield areas of Alberta which were followed up by 5 successful stepout wells.

Provo's accounting system was revised at January 1, 1965, to the full-cost method. The following are the highlights of Provo's 1965 operations with the year-end estimates expressed on the full-cost basis:

- Gross income increased 9% to $7,160,000.
- Cash flow increased 12% to $3,450,000.
- Net income increased 19% to $1,750,000.
- Oil production increased 13% to 530,000 net barrels (1,452 barrels per day).
- Gas production increased 4% to 19.6 billion cubic feet (53.8 million cubic feet per day).
- Liquefied petroleum gas production increased 7% to 51,275,000 Imperial gallons.
- Proved oil reserves increased 13% to 9,454,000 net barrels and proved gas reserves increased 3% to 543 billion cubic feet. Neither figure includes reserves from recent discoveries.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1965 AND 1964

	1965	1964
Income:		
Crude oil sales less royalties	$6,069,456	$5,780,615
Gas sales less royalties	927,082	874,950
Investment income	107,025	105,033
Other income	43,946	50,866
	7,147,509	6,811,464
Deduct:		
Operating expenses	1,213,967	1,035,562
Well workover costs	122,717	93,992
General and administrative expenses net of management fees	166,770	114,086
Interest	136,643	15,286
	1,640,097	1,258,926
Cash income from operations	5,507,412	5,552,538
Deduct:		
Depletion	1,067,916	949,009
Depreciation	375,018	336,267
	1,442,934	1,285,276
Net income before special item	4,064,478	4,267,262
Gain on sales of properties	—	398,166
Net income for the year and special item (Note 7)	$4,064,478	$4,665,428

See accompanying notes.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1965 AND 1964

ASSETS	1965	1964
Current:		
Cash	$ 261,437	$ 241,062
Accounts receivable—		
Trade	1,430,636	929,027
Affiliates	342,981	225,520
Inventory of casing and supplies at cost	253,263	147,210
Prepaid expenses	32,340	48,198
	2,320,657	1,591,017
Investments - At Cost (Note 3):		
Shares with quoted market values (aggregate market value, 1965 - $7,523,504; 1964 - $7,243,609)	3,046,205	3,044,971
Wholly owned subsidiary	135,028	135,028
Other shares and debentures	306,663	315,312
	3,487,896	3,495,311
Property and Equipment - At Cost (Note 2):		
Oil and gas properties less accumulated depletion (1965 - $5,221,187; 1964 - $4,053,231)	21,782,791	18,395,933
Production and other equipment less accumulated depreciation (1965 - $1,846,901; 1964 - $1,594,130)	6,451,917	5,307,817
	28,234,708	23,703,750
Other:		
Long term advance	58,388	68,572
Due from officer re purchase of shares	182,500	197,500
Drilling, reservation and other deposits	100,801	204,660
	341,689	470,732
	$34,384,950	$29,260,810

See accompanying notes.

LIABILITIES

	1965	1964
Current:		
Bank loans (Note 4)	$ 2,200,000	$ —
Accounts payable—		
Trade	1,289,114	2,252,768
Affiliates	19,169	80,572
Wholly owned subsidiary	46,632	46,318
Instalments on long term debt due within one year	194,595	194,595
	3,749,510	2,574,253
Long Term Debt		
Bank loan ($1,020,000 U.S.) (Note 4):	1,102,703	1,297,298
Less instalments due within one year	194,595	194,595
	908,108	1,102,703
Shareholders' Equity:		
Capital (Note 5)—		
Authorized—5,000,000 shares of a par value of $2.50 each		
Issued———2,613,700 shares	6,534,250	6,494,750
Paid-in surplus (per statement)	4,172,329	4,132,829
Earned surplus (per statement)	19,020,753	14,956,275
	29,727,332	25,583,854
Commitments (Note 6)		
	$34,384,950	$29,260,810

On behalf of the Board:

Clifford W. Michel
Director

Director

AUDITORS' REPORT

To the Shareholders of Dome Petroleum Limited.

We have examined the consolidated balance sheet of Dome Petroleum Limited and its wholly owned subsidiaries as at December 31, 1965 and the consolidated statements of income, paid-in surplus and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income, paid-in surplus and earned surplus present fairly the financial position of Dome Petroleum Limited and its wholly owned subsidiaries as at December 31, 1965 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting practice explained in Note 2, which change we approve.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the companies for the year ended December 31, 1965.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Calgary, Alberta.
February 28, 1966.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1965

Source of Funds:	
Cash income from operations	$5,507,412
Reservation deposits, investments and other assets	136,458
Sales of properties	273,738
Issues of capital stock	79,000
	5,996,608
Application of Funds:	
Expenditures for exploration, development, property and equipment - net	6,247,630
Repayment of U.S. bank loan	194,595
	6,442,225
Decrease in working capital	$ 445,617

CONSOLIDATED STATEMENT OF EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1965

Balance at beginning of year	$14,956,275
Net income for the year	4,064,478
Balance at end of year	$19,020,753

CONSOLIDATED STATEMENT OF PAID-IN SURPLUS

YEAR ENDED DECEMBER 31, 1965

Balance at beginning of year	$ 4,132,829
Premium on sale of shares (Note 5)	39,500
Balance at end of year	$ 4,172,329

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1965

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Dome Leaseholds Limited and Dome Petroleum Corp. (a U.S. corporation). The accounts of another wholly owned subsidiary, Dome Realty Limited, are not included in the consolidation because in the opinion of management its operations and assets, consisting of an office building in Calgary (see Note 6), are of a different nature from those of its parent. The operations of this unconsolidated subsidiary resulted in a net loss for the year of $14,823 and the accumulated losses to December 31, 1965 amounted to $106,432, which amounts are not reflected in the consolidated financial statements.

The accounts of Dome Petroleum Corp. have been converted to Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect at the year end, fixed assets and long term debt at the rates in effect on the dates of acquisition and income and expenses at the average rates for the year. The net exchange differential, which is not material in amount, has been included in income.

2. Change in Accounting Practice

Prior to 1965 the companies followed the practice of expensing exploration charges, non-productive development expenses, carrying charges on non-producing properties and the cost of leasehold and reservations surrendered. Depletion of producing oil lands and well development expenditures and depreciation of production equipment was provided on a unit of production method based on estimated proven reserves of oil and gas.

Commencing January 1, 1965 the companies adopted the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided on the unit of production basis.

Although the change in accounting practice was not made retroactively, the statement of income for 1964 has been included for comparative purposes on the same basis as the 1965 accounts. The net income previously reported for 1964, before non-recurring gain on sales of properties, amounted to $3,184,636. Had the companies not changed their accounting practice, the consolidated net profit for 1965 would have amounted to $2,879,829.

3. Investments

The Company's investment in shares of companies with quoted market values consists of the following:

	Number of Shares	Cost	Quoted Market Values at Dec. 31/65
Provo Gas Producers Limited	3,104,945	$2,999,180	$7,141,374
Pembina Pipe Line Limited	22,900	28,625	240,450
Alberta Gas Trunk Line Company Limited	3,680	18,400	141,680
		$3,046,205	$7,523,504

Because of the number of shares involved, the market values shown above are not necessarily indicative of the amounts that could be realized if these investments were to be sold.

The Company's investment in other shares and debentures includes 3,147 common shares and 43,894 preferred shares of Producers Pipelines Ltd. at a cost of $304,722.

4. Bank Loans

Current bank loans of $2,200,000 are secured by assignment of book debts and an undertaking to provide oil and gas security if requested.

The long term bank loan of $1,020,000 U.S. is secured by a first mortgage on certain producing properties in Montana and is repayable in quarterly instalments.

5. Capital

During the year the Company's authorized capital was increased by the creation of an additional 2,000,000 common shares of a par value of $2.50 each.

During the year 15,800 shares were issued to officers and employees on exercise of options for $79,000 cash. The par value of the shares issued, $39,500, was credited to share capital account and the balance to paid-in surplus.

Under a stock option plan instituted on November 21, 1960, options are outstanding to employees to purchase 11,800 shares of the Company's capital stock at $5 per share, exercisable on various dates to June 1, 1968.

6. Commitments

The Company has agreed to lease until 1985 an office building constructed by a wholly owned subsidiary at a rental sufficient to pay the cash operating expenditures of the subsidiary including interest on its 6½% First Mortgage Bonds of which $995,000 are presently outstanding, and annual principal instalments to retire the bonds by 1985. The Company is presently sub-letting a substantial part of the building.

7. Income Taxes

Under Canadian income tax law, exploration and development expenditures including property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended December 31, 1965 and at that date an excess of such expenditures amounting to approximately $3,960,000 and capital cost allowances of approximately $2,570,000, were available to be carried forward against future taxable income.

8. Profit and Loss

Aggregate remuneration of directors as officers (no directors' fees, as such, are paid)	$27,370
Interest on long term debt	56,939

TEN YEAR FINANCIAL REVIEW

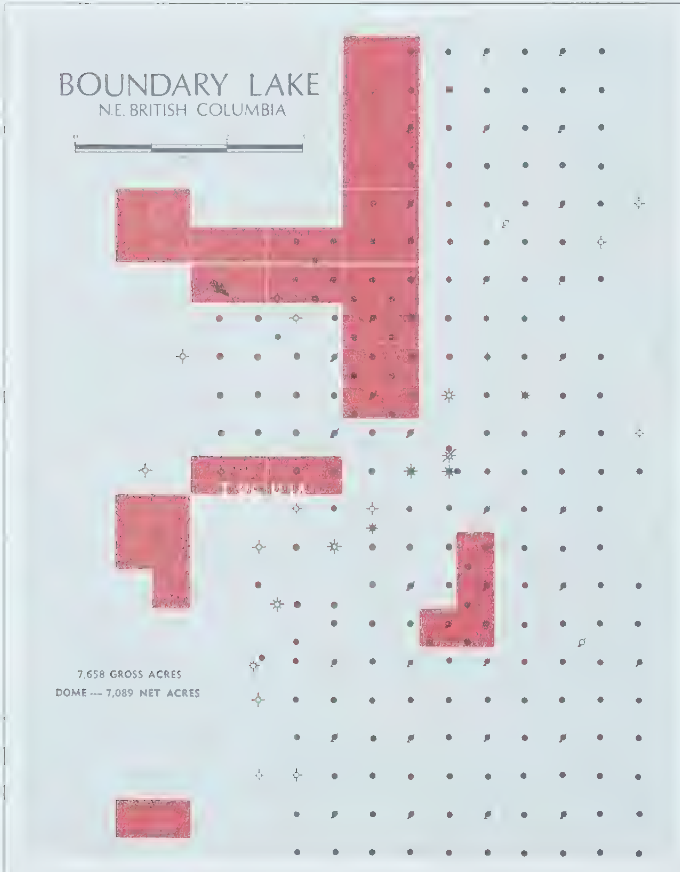
	1965*	1964	1963	1962	1961	1960	1959	1958	1957	1956
Gross Income (after royalties)	$7,147,509	$6,811,464	$6,027,688	$5,028,492	$3,724,742	$2,911,712	$2,726,384	$2,822,195	$2,526,993	$1,888,709
Operating & Workover Expenses	1,336,684	1,129,554	1,108,682	888,960	782,637	659,868	543,167	525,862	524,809	338,081
General & Admin. Expenses	166,770	114,086	117,812	95,596	98,276	96,974	101,685	115,064	73,487	134,261
Interest	136,643	15,286	44,966	185,142	445,135	382,031	258,881	212,550	204,948	265,916
Cash Flow (after operating, administrative and interest expenses)	5,507,412	5,552,538	4,756,228	3,858,794	2,398,694	1,772,839	1,822,651	1,968,719	1,723,749	1,150,451
Cash Flow per Share	2.11	2.14	1.83	1.49	.93	.69	.72	.78	.69	.58
Depreciation & Depletion	1,442,934	1,227,043	968,725	869,853	733,608	633,832	847,915	828,609	820,384	535,289
Net Income (after all charges)	4,064,478	3,184,636	2,754,568	2,058,227	1,110,421	126,853	207,341	111,969	204,131	134,104
Net Income per Share	1.56	1.23	1.06	.79	.43	.05	.08	.04	.08	.07
Shares Outstanding	2,613,700	2,597,900	2,593,600	2,589,900	2,586,800	2,571,400	2,521,400	2,519,000	2,503,000	2,000,000
Working Capital (Deficit)	(1,428,853)	(983,236)	205,287	230,282	(514,336)	(5,332,291)	(3,600,368)	(1,743,206)	784,868	(2,774,676)
Long Term Debt	908,108	1,102,703		–	7,503,000	2,665,000	2,915,000	3,165,000	3,415,000	3,665,000
Investments in Other Companies (at cost)	3,487,896	3,495,311	3,089,265	2,903,609	2,997,922	3,005,271	2,870,272	2,845,807	1,756,835	1,617,572
Land Rentals	343,569	324,707	271,999	257,432	210,894	253,207	220,463	212,500	267,813	190,699
Exploration Costs (including dry holes & lease aband.)	1,052,055	816,152	760,936	673,282	343,771	758,947	546,932	815,641	431,421	290,359
Development Costs	4,118,416	2,817,388	3,061,000	2,684,031	1,609,234	2,080,038	1,148,047	1,436,519	2,106,083	1,203,696
Land Acquisition Costs	459,852	3,859,188	649,417	1,267,384	521,639	208,619	1,342,995	550,720	510,172	531,012

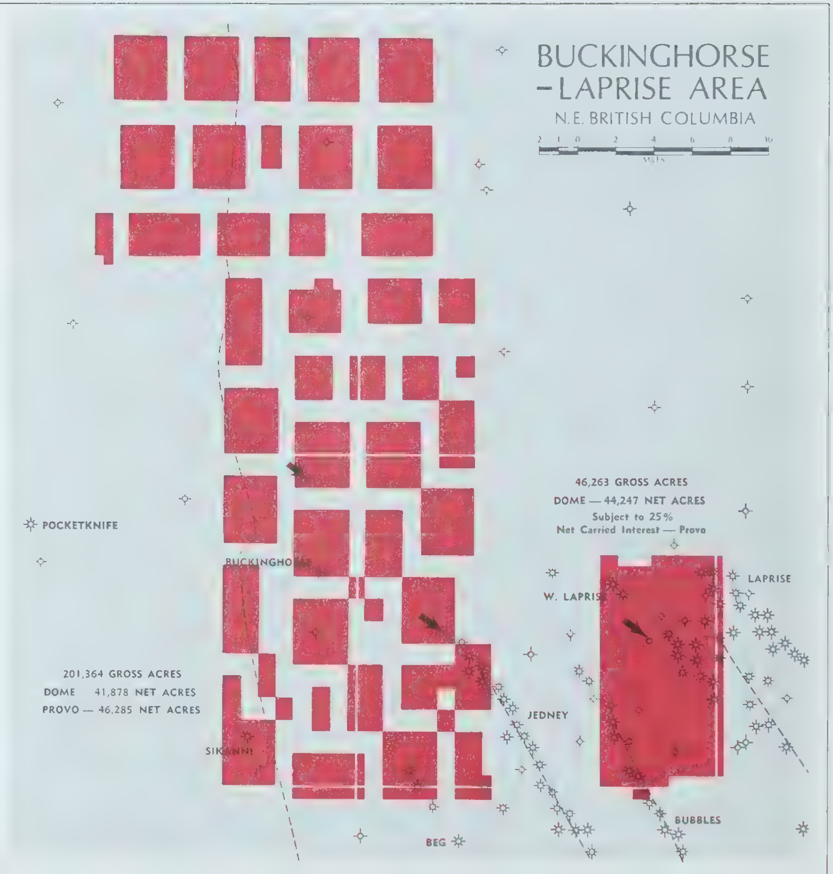
*1965 figures are presented on a full-cost accounting basis

TEN YEAR OPERATING REVIEW

	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956
Oil Production (net bbls)	2,486,081	2,394,302	2,143,591	1,747,363	1,268,639	1,214,987	1,163,048	1,115,571	942,394	741,280
Average Daily Oil Production (net bbls)	6,811	6,541	5,873	4,787	3,476	3,320	3,186	3,056	2,583	2,025
Gas Production (million cubic feet)	10,723	9,874	9,555	10,090	7,570	1,970	550		—	
Average Daily Gas Production (million cubic feet)	29.4	27.0	26.2	27.6	20.7	5.3	1.5	—	—	—
Est. Proved Oil & Condensate Reserves (net bbls)	44,376,000	42,437,000	41,315,000	38,746,000*	47,646,000	41,738,000	40,190,000	29,220,000	26,210,000	22,300,000
Est. Proved Gas Reserves (billion cubic feet)	286	267	207	206	188	145	173	47	21	12
Wells Drilled - Gross	92	70	66	48	26	52	31	58	53	44
Working Interest - Gross	82	61	64	48	21	39	26	58	53	44
Working Interest - Net	43.7	32.5	29.8	22.4	12.3	26.7	16.5	40.2	36.1	24.9
Royalty Interest	10	9	2	—	5	13	5	—	—	—
Exploratory - Gross	31	22	8	12	7	17	11	16	17	18
Development - Gross	61	48	58	36	19	35	20	42	36	26
Footage Drilled	500,188	347,336	390,805	267,674	125,789	243,401	138,724	268,264	194,239	185,447
Net Oil Wells	233	202	178	149	150	148	137	118	93	74
Net Gas Wells	27	25	22	21	17	13	9	4	3	3
Acreage - Gross	5,394,589	6,000,672	6,016,376	5,844,746	3,938,254	3,655,235	4,831,521	3,195,001	2,988,777	2,930,880
Acreage - Net	2,708,426	2,969,363	2,971,808	2,829,144	2,469,540	2,819,040	4,055,570	2,197,788	1,909,098	2,038,972

*Reduction results from sale of Redwater oil reserves for cash


BOUNDARY LAKE
N.E. BRITISH COLUMBIA
7,658 GROSS ACRES
DOME — 7,089 NET ACRES


BUCKINGHORSE
-LAPRISE AREA
N.E. BRITISH COLUMBIA
46,263 GROSS ACRES
DOME — 44,247 NET ACRES
Subject to 25%
Net Carried Interest — Provo
POCKETKNIFE
LAPRISE
JEDNEY
BUBBLES
BEG
201,364 GROSS ACRES
DOME 41,878 NET ACRES
PROVO — 46,285 NET ACRES

DETAIL MAPS

DOME LAND HOLDINGS

LOCATION

DRILLING WELL

OIL WELL

GAS WELL

SERVICE WELL

DRY AND ABANDONED WELL

OIL PIPELINE

GAS PIPELINE

WESTERN CANADA

& N.W. UNITED STATES

AREAS OF LEASE INTEREST

DOME P.&N.G. PERMIT

OIL FIELD

GAS FIELD

OIL PIPELINE

OIL PIPELINE (PROPOSED)

GAS PIPELINE

GAS PIPELINE (PROPOSED)

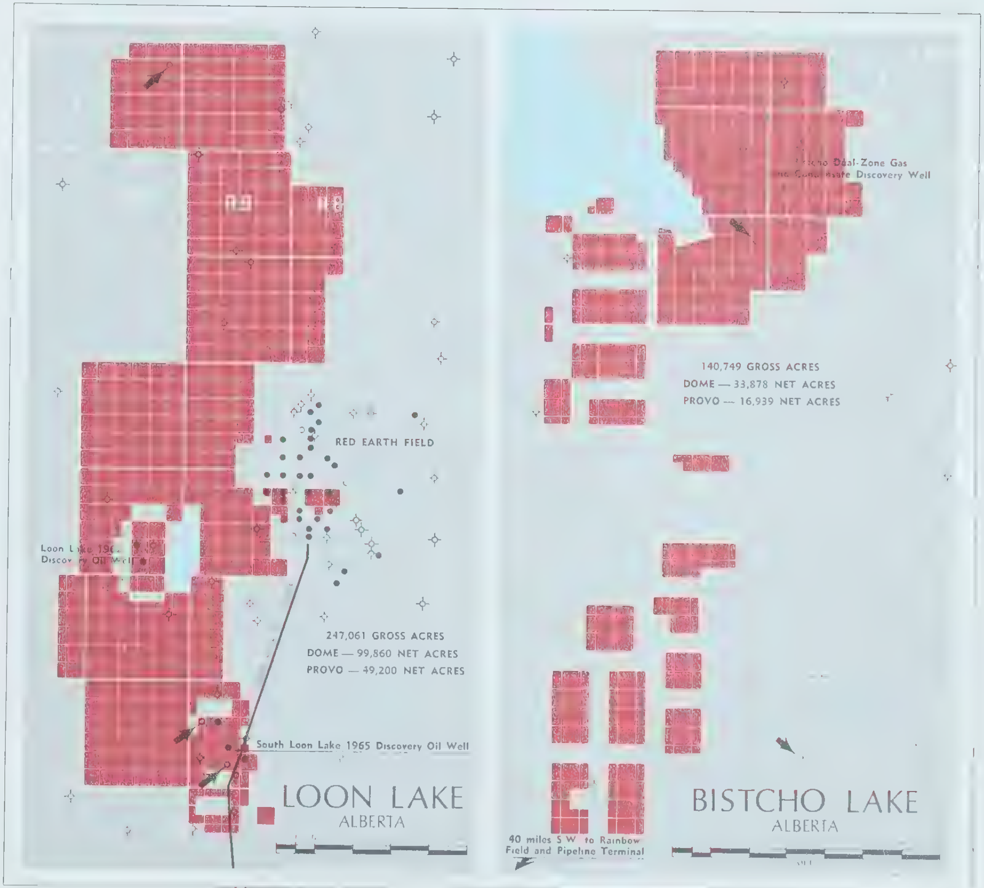
PROVO INTERESTS

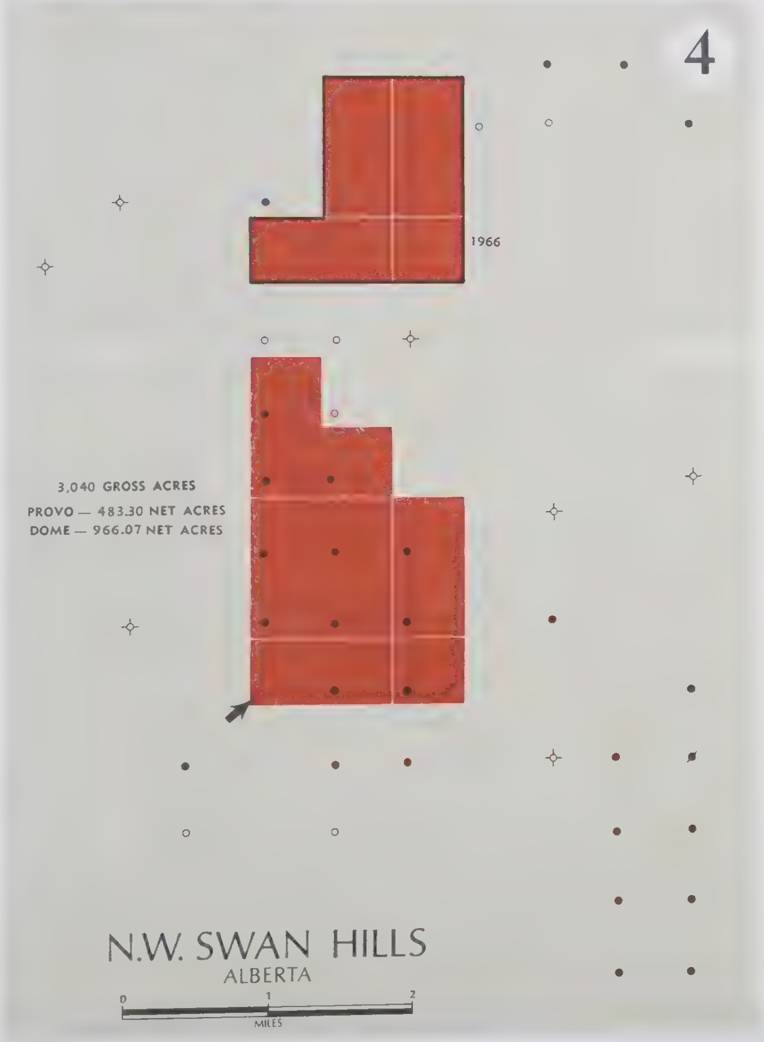
GAS PROCESSING PLANT

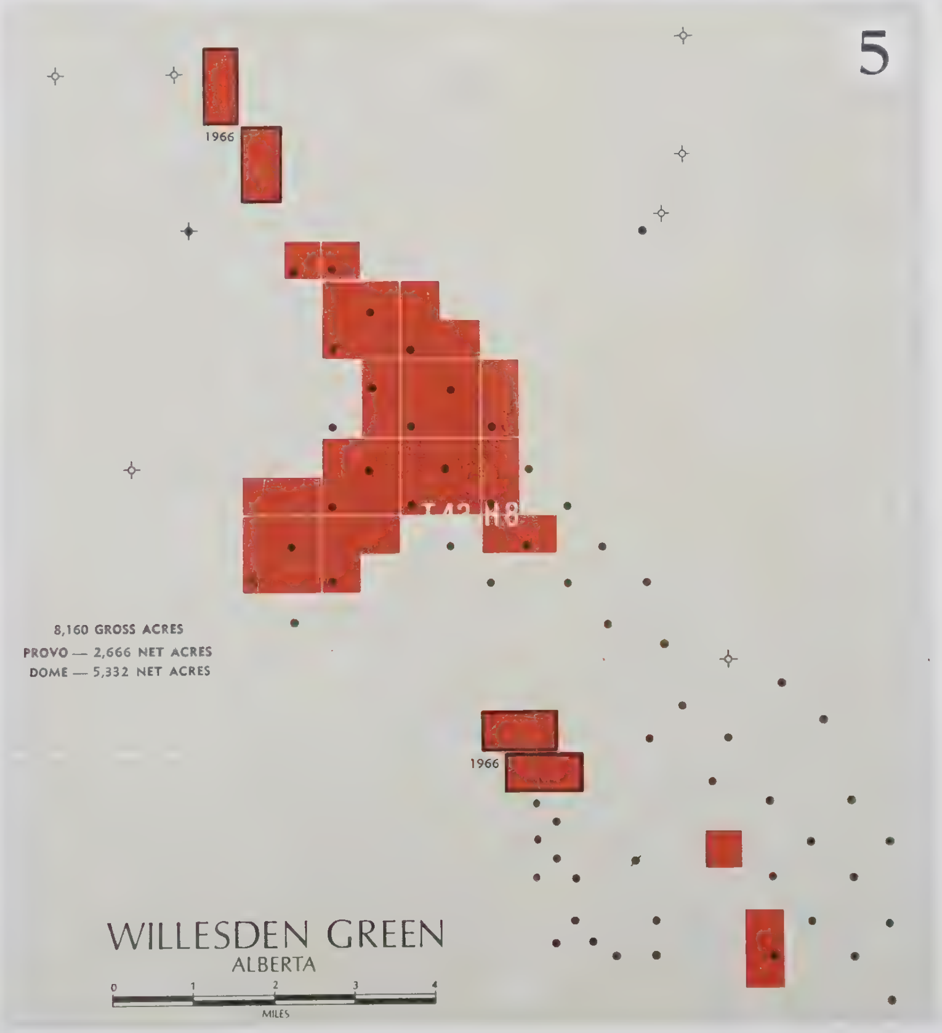
PROPANE MARKETING OUTLET

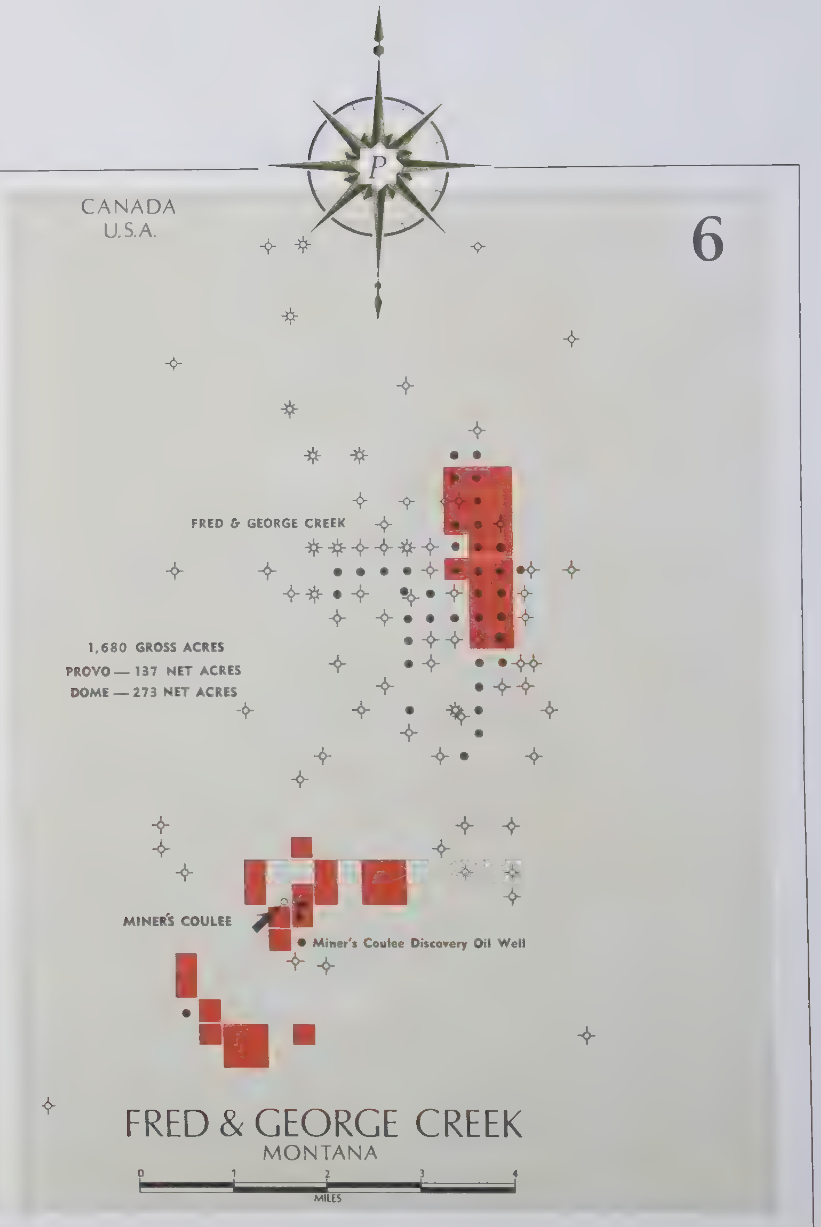
PRODUCTS PIPELINE

LPG UNDERGROUND STORAGE CAVERNS




4
1966
3,040 GROSS ACRES
PROVO — 483.30 NET ACRES
DOME — 966.07 NET ACRES
N.W. SWAN HILLS
ALBERTA
0 1 2
MILES


5
1966
8,160 GROSS ACRES
PROVO — 2,666 NET ACRES
DOME — 5,332 NET ACRES
1966
WILLESDEN GREEN
ALBERTA
0 1 2 3 4
MILES


CANADA
U.S.A.
P
6
FRED & GEORGE CREEK
1,680 GROSS ACRES
PROVO — 137 NET ACRES
DOME — 273 NET ACRES
MINER'S COULEE
Miner's Coulee Discovery Oil Well
FRED & GEORGE CREEK
MONTANA
0 1 2 3 4
MILES

YUKON TERR.
N. Beaver River
NORTHWEST TERRITORIES
Yellowknife
Great Slave Lake
Clarke Lake
BISTCHO LAKE AREA
SEE DETAIL MAP
NO. 3
Rainbow
Lake Athabasca
ALBERTA
Bituminous Sands (Outcrop Area)
LOON LAKE AREA
SEE DETAIL MAP
NO. 2
BRITISH
COLUMBIA
Ft. St. John
Grande Prairie
Churchill
MANITOBA
Nelson River
Thompson
Flin Flon
Snow Lake
Cranberry Portage
The Pas
Lake Winnipeg
N.W. SWAN HILLS AREA
SEE DETAIL MAP
NO. 4
EDMONTON
Edmonton Liquid Gas Plant
WILLESDEN GREEN AREA
SEE DETAIL MAP
NO. 5
SASKATCHEWAN
Prince Albert
Lloydminster
PROVOST BROWNFIELD AREA
SEE DETAIL MAP NO. 1
Provost Gas Plant
Hudson Bay Jct.
Saskatoon
Swan River
Kamsack
LPG PIPELINE
Melville
PROPANE UNDERGROUND
STORAGE CAVERNS
Interprovincial Pipeline
REGINA
Grenfell
Trans-Canada Pipeline
WINNIPEG
Lake of the Woods
ONT.
Kamloops
VANCOUVER
VICTORIA
PACIFIC
OCEAN
CALGARY
Vulcan
Lethbridge
Medicine Hat
SEATTLE
OLYMPIA
WASHINGTON
SPOKANE
FRED & GEORGE
CREEK AREA
SEE DETAIL MAP
NO. 6
CANADA
U.S.A.
Weyburn
Midale
Virden
Steelman Gas Plant
Minot
S.E. SASKATCHEWAN
SEE DETAIL MAP
PAGE 6
Great Falls
Ft. Peck Reservoir
HELENA
MONTANA
N. DAKOTA
BISMARCK
Fargo
MINN.
PORTLAND
Salem
OREGON
Billings
Aberdeen
MINNEAPOLIS
IDAHO
BOISE
Sheridan
S. DAKOTA
PIERRE
Klamath Falls
Rapid City
WYOMING
Casper
Sioux Falls
IOWA
Sioux City
NEVADA
Great Salt Lake
Ogden
SALT LAKE CITY
Laramie
CHEYENNE
NEBRASKA
DES MOINES
OMAHA
LINCOLN
Sacramento
CARSON CITY
CALIFORNIA
OAKLAND
SAN FRANCISCO
Stockton
DENVER
KANSAS CITY
St. Joseph
KANSAS
TOPEKA
UTAH
COLORADO
PUEBLO
Fresno
Las Vegas
Colorado River
Arkansas River
WICHITA
Chanute

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